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ABSTRACT

This article examines one of the essential functions of an urban school district: ensuring that schools have the power and resources to make good decisions. The article focuses on equitable student-based budgeting, a strategy for resource allocation. It explores the benefits and challenges of moving to student-based budgeting. The article begins with a discussion of the need to re-examine resource allocation. It then presents case studies from three urban school districts: Cincinnati, Houston, and Milwaukee. These brief overviews discuss how these districts initiated the change to student-based budgeting and what results they have seen. The next section of the article addresses equity through student-based budgeting, stressing that the complexity of school funding hides many inequities. In urban districts, the article states, the many programs, diverse student populations, and multiple funding streams make sorting out spending especially difficult. The next section discusses the political, financial, and logistical challenges to implementing this strategy. The final section provides tips for implementing student-based budgeting that were drawn from the experiences of the three districts. Recommendations include the following: learn from other districts' experiences; link the funding changes to broader system goals; inform and involve key constituents from the start; and monitor implementation and results. (WFA)

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First Steps to a Level Playing Field: An Introduction to Student-Based Budgeting.

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June 2002

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First Steps to a Level Playing Field

An Introduction to Student-Based Budgeting

School Communities that Work:
A National Task Force on the Future of Urban Districts

SCHOOL
COMMUNITIES
THAT WORK

An Initiative of the Annenberg Institute for School Reform at Brown University

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School Communities that Work: A National Task Force on the Future of Urban Districts

was established in 2000 by the Annenberg Institute for School Reform at Brown University to examine an element of the public education system that has often been overlooked: the urban school district. Its primary goals are to help create, support, and sustain entire urban communities of high-achieving schools and to stimulate a national conversation to promote the development and implementation of school communities that do, in fact, work for all children.

To help imagine what high-achieving school communities would look like and how to create them, the Task Force convened influential leaders from the education, civic, business, and nonprofit communities to study three critical areas: building capacity for teaching and learning; developing family and community supports; and organizing, managing, and governing schools and systems.

The following Task Force members guided the development of this article.

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For more information on the School Communities that Work Task Force, visit our Web site at www.schoolcommunities.org

School Communities that Work: A National Task Force on the Future of Urban Districts believes there are many ways of organizing urban systems to achieve results and equity – that is, to support high academic performance for all students, eliminating significant differences in achievement based on race, ethnicity, gender, primary language, or family income. To be considered "equitable," inputs as well as results must be taken into account to ensure that all students in the system learn what they need to know to lead fulfilling, productive lives as adults.

However an urban system is organized, three functions are essential for success:[1]

- providing schools, students, and teachers with needed support and timely interventions;
- ensuring that schools have the power and resources to make good decisions;
- making decisions and holding people throughout the system accountable with indicators of school and district performance and practices.

In this article, we examine the second function – ensuring that schools have the power and resources to make good decisions – with a focus on equitable student-based budgeting. Drawing on the experiences of three districts we studied, we explore the benefits and challenges of moving to student-based budgeting, and we share some practical tips and advice for implementing this resource allocation strategy.

The Need to Re-examine Resource Allocation

Much attention has been focused on differences in funding levels *between* districts (interdistrict), both within states and across states. Recent research is now also revealing significant, sometimes startling, funding differences across schools *within* many urban districts (intradistrict). Though creating funding equity requires addressing both inter- and intradistrict differences, we focus here on the less-studied issue of inequity within districts.

Districts have traditionally determined school budgets through staffing-based formulas, whereby resources are allocated to schools in the form of full-time employees. For example, a school might be assigned one full-time teacher for every twenty-five students or one assistant principal for every four hundred students. In most cases, schools have little influence over the resources they receive and little flexibility in how they can use them. Yet, if schools do not have equitable access to financial resources, and if they are not free to use the resources they get in ways that address their own priorities, then demanding equivalent results from all groups of students – as new state and federal requirements increasingly do – is both unfair and illogical.

Student-based budgeting[2] addresses the inequity and the lack of flexibility inherent in staffing-based resource allocation. Student-based formulas allocate actual dollars directly to schools on the basis of both the number of students enrolled and weights assigned to various categories of students, such as high-poverty, disabled, gifted, vocational, or bilingual. Matching funding to the specific needs of students provides greater flexibility and equity at the school level. Student-based budgeting thus offers a potentially powerful mechanism for enabling education systems to build the necessary financial foundation to achieve equity and excellence in student results.

[1] For an overview of the role of these essential functions in supporting high performance for all students, see *School Communities that Work for Results and Equity* (Annenberg Institute 2002). Available on the Web at <*www.schoolcommunities.org*>.

[2] This practice is also called *weighted student funding*. We use *student-based budgeting* here because it emphasizes using student needs to determine funding levels.

Though altering the mechanics of funding formulas may sound like a technicality better handled by finance departments, districts that have examined the details of their funding systems have discovered that it sets the stage for far-reaching improvements. Several urban school districts have taken first steps toward resource equity and flexibility by changing the formulas they use to allocate resources to schools and moving to student-based budgeting. The discussion that follows draws upon data analysis and experience-based advice from leaders in three such districts.

An important result of the student-based financing arrangements described here is that, in all three cases, they have led to more total resources dedicated to achieving desired student outcomes – with those resources intentionally and visibly linked to varying school and student needs and to important local priorities. For these districts, leveling the playing field through student-based budgeting has meant leveling *up* – that is, there have been more resource winners than losers. It has also meant a deeper understanding of the additional resources and supports that will be required to help all students reach common high standards and their own individual potential.

Moving to Student-Based Budgeting: Three Innovative Districts

Representatives from Cincinnati, Houston, and Milwaukee met with members of the SCHOOL COMMUNITIES THAT WORK task force in November 2001 to discuss the benefits and challenges of student-based budgeting. The experiences of these districts helped us to understand both the benefits and challenges of implementing student-based budgeting. The following is a brief overview of how these districts initiated the change and what results they have seen to date (see Table 1 on page 3).

Initiating Change

Before implementing student-based budgeting, Cincinnati had already made a commitment to strong school-level accountability, part of which was giving schools greater control of resources. This provided the first impetus for changing the funding system, particularly as it occurred in conjunction with an innovative union contract. In short, schools began to "trade in" staff positions for other resources, so the district found itself converting staff positions to dollars. As it did so, inequities in resources across schools became clearer.

At the same time, a new accountability system ranked Cincinnati schools according to student performance. Disturbingly, a number of consistently low-performing schools were also poorly funded schools without special-program dollars. These results prompted district administrators to make the first moves toward student-based budgeting. Two years later, the school board saw the power of this funding strategy to create equity across schools, resulting in a call for a more comprehensive implementation.

Milwaukee has been actively promoting school choice and competition for the last decade. This focus created pressure to move to student-based budgeting on both the supply and demand sides. On the demand side, the dollars needed to move with students who chose new schools. On the supply side, schools needed to be able to design unique organizations in order to differentiate themselves. Like Cincinnati, Milwaukee soon found it could not continue to allocate resources in tightly defined staff positions and needed to convert to dollar amounts.

In Houston, the desire to decentralize decision making was at the heart of the move to student-based budgeting. The district leaders, with school board members pushing hard, aimed to create a regulated marketplace within the public school system driven by data and people's true understanding of what was

	Cincinnati	Milwaukee	Houston
GENERAL LOCATION	Midwest	Midwest	South
TOTAL BUDGET	$389 million (2001-2002)	$1 billion (2002-2003)	$1.4 billion (2002-2003)
ENROLLMENT SIZE (2000-2001)	42,600	98,000	208,200
% African American	71	61	32
% Hispanic	0.8	15	55
% Asian American	0.9	4	3
% White	25	17	10
% Receive free or reduced lunch	61.5	68	77
Number of schools	77	201	286
Enrollment size growing or declining in past 3 years	Declining approx. 2,000 students/year in past 5 years	Slight decline since 1996, but relatively stable	Relatively stable since 1999, but projected to grow
YEAR DISTRICT INITIATED STUDENT-BASED BUDGETING	1999–2000	Formally in 2000–2001; started weighting in 1993.	1999–2000
DOES THE DISTRICT CHARGE TEACHER SALARIES AS ACTUAL OR AVERAGE?	Average	Average	Average
DOES THE DISTRICT PROVIDE FOR A SMALL-SCHOOL SUBSIDY?	No, but recently eliminated	No, but recently eliminated	Yes
OTHER SIGNIFICANT FACTORS	Choice: Neighborhood "focus" schools, magnet, and charter schools.	Developed a "charge-back" and "buy-back" system to estimate costs of central office services; moving toward K–8 schools.	Phase-in took less time than anticipated – principals on board sooner.
HOW DOES THIS DISTRICT "WEIGHT" FOR STUDENT NEEDS (E.G., POVERTY, BILINGUAL, GRADE LEVEL)?	High School = 1.20 Poverty = 1.05 ESL = 1.48 Gifted = 1.29 Voc. Ed. = 1.60	Bilingual = 1.056 K–8 = 1.045 Middle Sch. = 1.112 High Sch. = 1.140	Weights set by state: Bilingual = 1.10 Poverty = 1.20 Gifted = 1.12 Voc. Ed. = 1.37

Table 1 A comparative overview of the three districts

being bought and sold. Moving from allocating staff to allocating dollars provided this critical marketplace mechanism.

Results to Date

Implementation of student-based budgeting in all three sites is still in the early stages. Results vary across the districts, due in part to differences in the formulas each has developed and implemented. However, an analysis of the reallocation of resources among schools reveals substantial improvements in equity, with more schools now receiving allocations close to the *weighted average expenditure* (the district's average dollar expenditure, weighted for the mix of students at each school)[3] as seen in Table 2 on page 5. In Houston, a drastic redistribution of funds has achieved significant interschool equity, with only one in four schools now deviating from the weighted average expenditure by more than 5 percent. Cincinnati made significant changes to its formula over the first four years, resulting in gradual but substantial equity improvements.

In all three districts, there are now more dollars in school-site budgets, and there is more spending flexibility at the school level.[4] There are also differences in the direct costs that have been moved to schools. Cincinnati allots a specific amount to each school to cover expenses like custodians; Houston does not.

All the districts report more discussion at school sites on what and who has added value to student learning, with staffing decisions based on these reflections. For example, some schools in Cincinnati eliminated counselors and visiting teachers and used the money in other ways because they felt they could spend those dollars more effectively. Two of the three districts have witnessed another benefit of student-based budgeting: it has encouraged schools to keep students, particularly those they might have considered "hard to educate" under staff-based budgeting.

Addressing Equity through Student-Based Budgeting

Leaders from the three districts offered a number of valuable lessons learned in their efforts to create greater financial equity across their schools in order to improve student achievement results, and improve them for *all* students equitably. The first is that the complexity of school funding hides many inequities. In urban districts the many programs, diverse student populations, and multiple funding streams make sorting out spending especially difficult.

Another realization was that school district leaders rarely discuss interschool funding differences or the rationales and policies that foster them. In consequence, there is little consensus either on what *fairness* means or on what actions, if any, need to be taken to achieve fairness. Therefore, even when districts do examine funding levels by student and by school, exposing financial disparity and acting to create equity demands enormous political courage and public support.

Finally, once the districts began to identify and address inequities, the cumbersome and rigid systems by which they traditionally allocated resources to schools became an obstacle. When resource allocation becomes more flexible and the school site has more control over it, the needs of particular populations of students can be better served. But changing to a system of flexible resource allocation requires overcoming many institutional obstacles.

[3] To analyze these equity gains, researchers developed new tools to determine weighted allocations that take into account the kinds of students (and their relative funding levels) at each school. These tools are presented in M. Roza and K. H. Miles, *Assessing Inequities in School Funding within Districts: A Tool to Prepare for Student-Based Budgeting* (Annenberg Institute 2002). Available on the Web at <www.schoolcommunities.org>.

[4] One way to measure how fully a district has implemented student-based budgeting is by the percent of general funds included in the weighted student portion of the formula. In the three districts studied, this percent ranged from 52 percent to 65 percent.

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		Percent of schools with allocations within	
		5% of weighted average expenditure*	10% of weighted average expenditure*
Houston	Traditional staff-based formula	49%	77%
	New student-based formula (Year 1)	72%	82%
Cincinnati	Traditional staff-based formula	23%	42%
	New student-based formula (Year 1)	23%	49%
	Student-based formula (Year 4)	87%	97%

Table 2 Increases in funding equity with student-based budgeting

* The weighted average expenditure is what the district would allocate to a school if the school received the district's average allocation for each category of student at that school. The weighted average expenditure for each school is calculated by, first, multiplying the total number of students in the school by the district's basic per pupil allocation. Second, the district's average *additional* expenditure per pupil in a weighted category (e.g., bilingual students) is multiplied by the number of students in that category at the school. The result is added to the first quantity. This second step is repeated for each weighted category to be analyzed.

Many Inequities Are Buried in Complex School Funding Systems

As Cincinnati and Houston began to unravel the complexities of their funding systems, they discovered how dramatically interschool funding levels differed. Cincinnati found that there was a per pupil disparity of more than $6,000 between their least-funded school (less than $4,000/pupil) and their highest-funded school (more than $10,000/pupil). In other words, one school was receiving only a third of the total program dollars of another school in the same district. Cincinnati also discovered substantial school-level disparity districtwide, with 57 percent of all schools varying more than 10 percent from the weighted average expenditure (either higher or lower).

Houston had less variance from the average (only 25 percent of its schools were receiving more or less than 10 percent of the weighted average expenditure) but discovered even greater disparity between its least-funded and highest-funded schools. Houston's lowest-funded school received just one-quarter of the resources of the highest-funded school.[5]

How could a school serving the same population of students receive one-quarter of the resources received by another school in the same district? Are these differences as shocking as they seem, or do they reflect important differences in these schools?

Diagnosing the causes of funding differences requires a closer look at how districts allocate resources to schools. Most districts use a formula

[5] See Roza and Miles, *Assessing Inequities in School Funding*.

to apportion staff and other resources based mainly on the number of pupils in the school, with other factors playing a lesser role (see sidebar). These standard practices can result in very different per pupil dollar amounts in different schools.

Sometimes, the reasons for these differences are easily understandable – for instance, when allocations for heating costs vary in older versus newer schools. Other times, the inequities are products of mathematic formulas or decisions (some long-forgotten) that had their roots in political influence or the special interests of a district department head, school board member, or advocacy group. Most of the reasons for differences in traditionally allocated funding levels fall into one of four areas:

- *School size.* Most districts allocate certain staff positions to each school regardless of size. Therefore, staffing-based formulas tend to give more resources per pupil to small schools and fewer resources to large schools. For example, every elementary school might get a principal, a secretary, and a librarian regardless of how many students attend the school. If a school hits a certain enrollment threshold, it might receive additional support, such as an assistant principal. Mathematically, this means that a small school receives more dollar resources per pupil to cover its principal than the large school, because the cost of the principal is divided among fewer students.
- *Magnet and other special programs.* Some schools receive additional staff to implement district programs that are not distributed equally on the basis of number or types of students. For example, in some urban districts, a magnet school gets more staff on top of the formula allocation to support its specific design.
- *District-controlled resources for special student populations.* In programs for special student populations, such as special-education or bilingual programs, district-level departments often control a large portion of staff and funding that is not allocated to schools based on the number of pupils.
- *Physical plant differences.* Operating costs vary from school to school based on the size, age, layout, and design of the school facilities. These factors are not always related to the number of students and they are largely outside the control of school leaders.

HOW DISTRICTS ALLOCATE RESOURCES

There are usually three categories of resources included in a traditional funding formula:

- staff and dollars that vary based on the number of students;
- staff every school gets, regardless of number of students (for example, every school gets one principal);
- resources that vary based on differences in the age, size, or efficiency of the school building.

On top of these formula-driven resources, the district then adds staff positions and dollars using other criteria. For example, an arts-focused school designed to attract students from all over the district might receive additional funding to support its program. Or a school attempting to integrate special-education students into regular classrooms might receive extra staff to support its effort.

After determining the number of positions and other allocations calculated on the base and special criteria, the district then generates a dollar budget by multiplying the number of positions allocated by the districtwide average salary for that position. The school budget for teachers would total the number of allocated teachers multiplied by the average teacher salary in the district.

The common practice of allocating personnel costs on the basis of average salaries results in a fifth type of inequity: seniority-driven inequity. A school with more senior – and therefore more "expensive" – teachers would actually receive more teaching dollars per pupil than one with more junior teachers. But these numbers are hidden even more deeply, since only the average salary numbers show in budget allocations per school. We are not aware of any districts that currently charge actual salaries to all schools, although Houston is moving toward this practice over a ten-year period.

Fair Doesn't Necessarily Mean Equal

As the three districts delved into these complexities and explored their interschool funding differences, they found themselves facing the problem of determining what true equity is. Financial equity in education has two inherent issues: some schools cost more to operate than others; and some students cost more to educate than others.

If this is true, then what's fair? Are school funding systems fair only if every child receives exactly the same dollars? Or is fairness achieved only when every child has equal access to learning and resources, even if this means extra dollars to address special education, learning disabilities, etc.?

School officials in the three districts realized that equity does necessarily not imply equal dollars. For instance, a bilingual-education student typically requires more resources than a regular-education student. So a school with many bilingual-education students would need a higher allocation than a school with few bilingual-education students.

If equality is about leveling the playing field and providing all students the same opportunity, then weighting student funding to achieve this goal can be considered fair, even when it means that some students receive more dollars than others. Indeed, the districts we studied concluded that true equity actually *requires* unequal per pupil spending.

The difference between the inequities in resource distribution that currently exist within many districts and inequities that would result from implementing student-based budgeting is that the latter would be driven by student needs, rather than other factors. Consider two schools, one a high-poverty school serving many students with special needs, the other a school with few high-needs students. We would expect the first school to receive more per pupil resources than the second. But how much more? If the first school receives $5,000 per student and the second receives $4,700 per student, is that equitable? After meeting the special needs, will the first school have enough resources to cover a comparable regular education program? Relying on a formula that makes the allocations for each student transparent enables leaders to act strategically in the face of so many numbers. For instance, if the district's formula allocates a standard $4,200 per student for the regular education program and an additional $400 per bilingual- education student, leaders can easily recognize which schools are receiving adequate funding.

Or consider an older school facility located in a high-crime neighborhood that might have higher maintenance and utility costs than a school recently built in a low-crime neighborhood. Furthermore, if that older school is also historically low-performing, it might have trouble recruiting the same caliber of teachers with the same dollar resources. This would mean that an allocation of $5,000 per student at the older school in a high-crime neighborhood would "purchase" fewer or lower-quality instructional resources than the same allocation for a student at a newer, safer school.

Thus, any funding strategy that aims for equity across schools must address differences in student needs, school operating costs, and access to high-quality teachers. In addition, an equitable funding strategy must guarantee that schools can use their resources to buy what they need to improve student

performance. In a simplistic example, giving all schools the same set of spelling workbooks based on the number of students might seem like an equitable distribution of resources. But if one school did not need or use these workbooks, then it would be the same as giving them nothing (or worse, because it would be a waste of money). Therefore, equitable resource distribution requires that schools have the power to use resources to fit their educational priorities and organizational strategies.

Rigid Funding Systems Undermine Better Results

Equity was only part of the rationale for moving away from the current funding formulas and toward more flexible student-based budgeting formulas in the three urban districts we studied. Each of these districts has also been involved in far-reaching reform efforts that increase school accountability for student results by increasing both school and district financial flexibility.

As described earlier, student-based budgeting allows systems to weight students differently in order to reflect differences in educational needs. Common categories for weighting include special education, poverty, English as a second language, and gifted education. Districts also have increased flexibility in funding programs or policies that better reflect their mission or driving principles, since the formula is based on student need instead of rigid budget categories. For example, if a district decides that students in kindergarten through third grade should have smaller class sizes, the district could give these students a higher funding weight.

Making staffing more flexible can run into problems unless allocation is in dollars instead of staff positions. Some districts allow schools to "trade in" staff positions for other uses, in order to target resources in ways that might better fit their educational programs or students. For example, a school may decide that it needs a reading specialist more than a librarian. However, managing and tracking hundreds of such conversions in a large district quickly becomes overwhelming without converting these resources to dollars.

In addition, a district may still have strict guidelines regarding the number and types of staff or the procedures that must be followed to convert one staff position to another. In order to give schools more flexibility, the district must change management practice, union contracts, and sometimes even state regulations.

When it works as it should, greater flexibility in resource allocation allows districts, and especially schools, to decide how best to improve their particular students' academic results. But we know from some districts' experience with school-based decision making that moving the locus of control is no guarantee that the choices themselves will be better. Good decisions require a core of capable leaders and teachers at the building level. Developing those capabilities and dealing with schools' uneven skill in taking advantage of newfound freedoms is as important as implementing the flexible system itself.

Challenges to Implementing Student-Based Budgeting

From our research and the experiences of the three districts we studied, we have recognized a number of implementation challenges to moving toward student-based budgeting that have the potential to impact results. Representatives from the three districts identified four kinds of implementation challenges.

Political Challenges

Unless done under conditions of economic surplus, shifting from staffing-based allocation to student-based budgeting will cause some schools to gain and

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others to lose resources. The reason is obvious: some schools are below the district average and some are above, and moving all schools closer to the average produces actual gains and losses. Depending on district specifics, these dollar shifts can be large. In Cincinnati, several schools lost more than $500,000 from their annual budgets in the new formula, and many schools lost more than $20,000. Even when dollar amounts are not as large, the elimination of special-program funding means that treasured initiatives, each of which has its own supporters, lose funds.

Identifying the "winners" and "losers" in the conversion to student-based budgeting pits programs, schools, and advocates against each other. Those who stand to lose are more likely to rise to action and mobilize support than those who stand to gain, which puts pressure on leaders to minimize losses by changing weights or creating exceptions to the formula. In districts where strong magnet school programs receive extra funds, this pressure can be even more intense. As one district leader put it, "People come out of the woodwork when they think you're going to cut magnets."

Financial Challenges

In an ideal world, districts would have unlimited funds available to ensure that every student had equal access to the best education possible. Unfortunately, this is unrealistic, so a district might seek new sources of funding to minimize loss. All three districts we studied increased money going to schools by moving dollars out of the central office and into the school formula. However, downsizing the central office can pose its own financial difficulties, even if just temporary, as the district may have obligations to vendors or staff even if the services are no longer needed. The three districts also sought to minimize potential financial disruption by phasing in the changes over several years.

Capacity Challenges

In each district, the entire school community needed to learn the new budgeting system and how to implement it. In Houston, the financial staff resisted the transition from an old, comfortable financial tracking system to a "modern" system that required learning new skills. Student-based budgeting also typically goes hand-in-hand with decentralization of decision making, putting additional budgetary responsibility in the hands of school leaders. Cincinnati found it needed to provide hands-on training and support to school principals and teacher leaders to help them learn the new budget system and link their decision making to instructional priorities.

Logistical or Operational Challenges

Districts moving to student-based budgeting found a host of operational details and decisions they had not anticipated. These included:

- how to hold schools accountable for effective use of funds
- whether to use enrollment or average attendance to calculate funding levels
- when and how to adjust funding levels when enrollments change during the year
- how to phase in significant losses and gains in order to minimize problems
- how to budget for central office services
- how to track spending when schools have more control and flexibility

Some Tips for Addressing Implementation Challenges

No district has yet been able to map an "easy route" to student-based budgeting; all have found potholes and barriers along the way. Having faced the challenges we identify in the previous section, Cincinnati, Houston, and Milwaukee shared the following advice with us.

Learn from other districts' experiences.

- Before you start, visit or talk to staff, board members, and other constituents from districts that have already implemented student-based budgeting.

Link the funding changes to broader system goals.

- Present student-based budgeting as a prerequisite for equity and school improvement – it makes everything visible and transparent and creates the mechanism for more flexible, effective use of resources.
- Acknowledge that student-based budgeting is only a first step, not a solution, to the problem of chronically low-performing schools.
- Develop a set of criteria that the new budgeting system should meet and use them to counter political pressure to fund special interests.

Inform and involve key constituents from the start.

Be transparent both about who gets resources and about who loses them, and minimize the losses as much as possible.

- Prepare for the inevitable complaints. Unless the resource situation is particularly rich, some schools will lose money. Communicate clearly and simply the reasons for moving to student-based budgeting. There is a natural constituency for equity.
- Highlight the benefits of moving to student-based budgeting, especially for the schools that lose money (e.g., more freedom to choose their staffs and instructional programs or raise their own money).
- "Level up" as much as possible. Raise the budgets of schools that are underfunded instead of lowering the budgets of schools that receive more funds, such as magnets.
- Consider strategies to funnel more money to schools from the central office.
- Phase in the implementation of large cuts and increases over a two- to three-year period.

Pay attention to the need to build capacity at the district and school level.

- Provide good nuts-and-bolts training on budgets for schools and for central office staff who must make the transition to modern finance models.
- Couple the move to student-based budgeting with support for school leaders in how to best use resources to support school improvement.
- Invest in providing school leaders with easy-to-use tools for budget planning and development.
- Be aware that moving to student-based budgeting does not magically improve school leadership.

Monitor implementation and results.

- Cincinnati created a joint union-management team, composed of the deputy superintendents and the union president, that met biweekly to review implementation issues associated with greater school-level control of funding.
- The Cincinnati school board has developed a student-based-budgeting review team to
  - evaluate what is working;
  - move additional resources to schools;
  - improve equity;
  - learn what was positive/negative and what to change about student-based budgeting.

Be prepared for unpredicted consequences, both positive and negative.

Among the consequences experienced by the district leaders we met with were:

- Greater incentive for schools to recruit new students and to keep students they might otherwise let go (i.e., hard-to-serve students).
- Pressure to determine which staff add value to a school and to eliminate certain staff positions. In Cincinnati, when schools eliminated librarians to boost money in literacy, the unions responded by trying to create a new position for a literacy person in order to protect the librarians.
- Pressure on the central office and other providers to supply high-quality services. Before student-based budgeting, schools just accepted the services they received. With the control and flexibility provided by student-based budgeting, school leaders say, "We'll spend this money, but not for low-quality services."
- Pressure on small schools to become larger during a time when the benefits of small schools are highly touted by many reformers. Per pupil funding can take away the advantages small schools receive from staffing-based formulas. Houston decided to place a financial value on small schools by adding a "small-school subsidy" to the formula. Other districts have organized other support for small schools, such as encouraging administrative sharing.

A Cornerstone, Not a Panacea

Equitable access to resources is a necessary ingredient in promoting high student achievement and equity within urban districts. The results of our research and the experience-based guidance offered by our colleagues from the three districts have convinced us that student-based budgeting is a valuable tool for districts seeking to achieve results and equity for all their students.

We fully recognize that student-based budgeting, and the autonomy and transparency it provides, do not automatically make schools and districts better. The ultimate success or failure of urban districts is inextricably connected to their ability to build and mobilize the capacity of teachers, principals, and other key adults to support students' learning and development. If school leaders are to capitalize on the resources and flexibility that student-based budgeting provides them, less-skilled principals and teachers need leadership training.

However, with the necessary supports, student-based budgeting can provide the cornerstone of a powerful systemic reform initiative by equitably distributing resources so that all children in all the district's schools have a fair chance to meet the challenging standards they deserve to be held to.

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